

VZCZCXYZ0001
PP RUEHWEB

DE RUEHGT #0464/01 1061952
ZNY CCCCC ZZH
P 151952Z APR 08
FM AMEMBASSY GUATEMALA
TO RUEHC/SECSTATE WASHDC PRIORITY 5150
INFO RUEHGT/WHA DIPL POSTS COLLECTIVE
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHMFISS/DEPT OF JUSTICE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RHMFISS/CDR USSOUTHCOM MIAMI FL

C O N F I D E N T I A L GUATEMALA 000464

SIPDIS

SIPDIS

E.O. 12958: DECL: 04/15/2018
TAGS: [PGOV](#) [PREL](#) [ECON](#) [ASEC](#) [GT](#)
SUBJECT: CRIME OVERSHADOWS SOCIAL INITIATIVES DURING
COLOM'S FIRST THREE MONTHS

REF: A) GUATEMALA 135 B) GUATEMALA 387 C) GUATEMALA
441 D) GUATEMALA 355 E) GUATEMALA 150 F)
GUATEMALA 446 G) GUATEMALA 288

Classified By: Ambassador James M. Derham for reasons 1.4 (b&d).

Summary

¶1. (C) The Colom Government's first three months in office have been difficult. High-profile crimes shocked the country and distracted public attention from the government's plans for social investment and reform. Contradictory policy pronouncements and personnel shifts have given the impression of a government floundering to get established. Weak institutions and the perception of persistent corruption have hobbled the GOG's ability to address the many challenges acknowledged by all. Colom's cabinet is ideologically diverse, but detractors complain that promised gender and racial diversity is missing. The First Lady's very visible and often heavy-handed role in government is a source of both private and public polemics. The governing UNE's congressional bench is riven by internal dissension, but the government so far has cobbled together enough votes to pass key measures.

¶2. (C) The economy continues to grow and the new government is continuing Guatemala's traditionally sound macro-economic management. Rising global fuel and food prices worry the government, and are of increasing public concern. A PetroCaribe deal with Venezuela is among the ameliorative measures under consideration. Maintaining good relations with all countries in the hemisphere is the lodestar of Colom's foreign policy, but the GOG is mindful that its most important relationship is that with the United States. End Summary.

Government's Announcements of Social Initiatives ...

¶3. (C) Colom ran on a campaign of social investment and moved quickly after taking office January 14 to follow up. He named his wife, Sandra Torres de Colom, to head a new Social Cohesion Council that directs government investment in health, education and other social services, with special focus on Guatemala's 44 poorest municipalities. The President said he personally would lead a new Rural Development Council, and Vice President (and heart surgeon) Rafael Espada is leading national health care reform. The GOG is developing an emergency action plan to combat pervasive child malnutrition in poor and indigenous areas. The First Lady's sister, Gloria Torres, serves as the national government's influential liaison with mayors, and has the sensitive responsibility of transferring central

government resources to local governments. Concerned by the impact of rising food prices, President Colom announced on April 13 a series of measures to try to alleviate the crisis, but backed off from imposing price controls as earlier announced.

... Are Overshadowed by Crime

¶4. (C) Much as the government has tried to seize the public agenda with announcements of social initiatives, a series of high-profile crimes has distracted public attention. In February, more than a dozen Guatemala City bus drivers were murdered in turf battles between gangs extorting bus companies and drivers (Ref A). Sporadic strikes followed as bus drivers demanded police protection. On March 25 eleven suspected narcotraffickers were killed during a major gun battle in Zacapa Department involving more than 40 Guatemalan and Mexican participants using military weapons (Ref B). The melee was a disturbing manifestation of Mexican traffickers' increasing incursions into Guatemala. While the country's constant drumbeat of homicides has continued this year, the April 7 murder of Victor Rivera was particularly shocking (Ref C). Rivera, a Senior Advisor to the Minister of Government who had been fired a week earlier, was widely considered to be an especially effective police investigator, and had strong ties to the private sector. However, some alleged that he himself was involved in illegal activities. Rivera's murder stoked public fears about the impunity and free rein organized criminals enjoy in Guatemala, and raised questions about who might be maneuvering to take over the state's security apparatus. Taken together, these crimes dashed any illusions the public harbored that Colom could quickly bring to heel or reform the corrupt and inefficient police and judiciary. While many hope that the UN-led

International Commission Against Impunity in Guatemala (CICIG) will help curb impunity and organized crime, its cases are all still in the investigative phase, and it has yet to make an impact (Ref D).

Ideologically Diverse Cabinet

¶5. (C) Although President Colom defines his government as center-left, his cabinet is ideologically diverse, and includes former leftist guerrilla sympathizers and members of Guatemala's business class. The cabinet includes only one indigenous person and one woman. Some leaders of the large indigenous community have complained that Colom's inclusive campaign rhetoric was merely a vote-getting ruse. Rumors of corruption and links to organized crime persist in some cases, particularly in the security field.

First Lady's Role Provokes Resentment

¶6. (C) First Lady Sandra Torres de Colom plays an unprecedented role in the new government. She regularly participates in the President's meetings -- including cabinet meetings -- and provides direction to some ministers via her leadership of the Social Cohesion Council. Some of the functions she performs were previously reserved to the Vice President and ministers. Some members of government chafe at her perceived usurpation of power and sometimes abrasive manner. The Minister of Economy is rumored to have resigned over disagreements with her, and others may follow.

¶7. (C) Torres de Colom's influence extends into the Congress, as does resentment at the power she wields. We are told that approximately 14 UNE deputies are personally loyal to the First Lady. The ruling UNE (National Union for Hope) party has 51 of the 158 seats in Congress, but Colom cannot be sure of those 51 votes. Influential UNE Chairman of the Congressional Finance Committee Manuel Baldizon has at times openly challenged President Colom's leadership, and is an opponent of the First Lady (Ref E). President of Congress Eduardo Meyer is also an UNE member, but is generally considered a weak leader. President Colom has so far succeeded in cobbling together votes for some important

legislation, such as congressional approval of five IDB and World Bank loans, but opposition parties are reviewing proposed legislation on a case-by-case basis. A split within the UNE congressional bench would complicate Colom's efforts at congressional consensus-building.

Sound Macro-Economic Management

¶18. (C) President Colom has continued Guatemala's tradition of sound macro-economic management and conservative fiscal policy. He left the widely respected heads of the Central Bank (Maria Antonieta de Bonilla) and Tax Authority (Carolina Roca) in place upon assuming office. While some of his early comments caused observers to question whether he would respect the independence of the Central Bank and Monetary Board (which sets interest rates), he has in fact done so up to now. The Finance Ministry has developed a modest proposal for tax reform which, if approved by Congress, would cover the costs of some of Colom's social projects while maintaining a small budget deficit (Ref F). In the meantime, the government is contemplating increasing deficit spending from 1.6% of GDP to 2.4% -- a substantial increase, but not imprudent. Inflation has recently risen to 9.1%, driven in part by increasing world prices for food and oil. The government is currently reviewing ways to ease the burden that increasing inflation places on Guatemalan consumers, particularly on the poor. Eliminating or reducing a tax on petroleum distribution is one potential measure under consideration, as are reductions in tariffs on certain food imports and subsidies of some foodstuffs.

Relations with Private Sector Deteriorating

¶19. (C) While publicly remaining amicable toward the government, representatives of the business class express increasing worries in private. Colom's spokesman said their April 10 meeting with the President influenced Colom's decision to refrain from a planned announcement on April 13 of price controls on basic foodstuffs. Vice President Espada's choice to make his first official visit to Cuba alarmed the private sector, which chafed at his accusations, leveled before an official Cuban audience, that it sought to block the government's efforts at poverty alleviation and social inclusion. Agricultural land owners worry that Colom

might turn a blind eye to peasant land invasions of their properties. A potential PetroCaribe deal with Venezuela is viewed with concern by the business class, as is the GOG's ambiguous relationship with El Salvador's FMLN.

Striking a Balance on Foreign Policy

¶10. (C) Maintaining good relations with all governments in the hemisphere is the lodestar of Colom's foreign policy. The GOG is negotiating a possible PetroCaribe deal with Venezuela, but is proceeding cautiously (Ref G). Colom publicly stated Guatemala would not join the Venezuelan-led alternative trade block, ALBA, and emphasized that Guatemala's paramount economic relationship is with the United States. The GOG continues to cooperate with the USG in multilateral fora. Colom has tried to obviate accusations that he is too close to Latin America's populist left by calling attention to his friendly relations with Colombia's Uribe and Mexico's Calderon. Another priority for the Colom Administration is closer integration of Central American states, so as to foment trade and tourism, and give Central American states more weight in international fora.

Comment

¶11. (C) Guatemalans will judge the Colom Government on its ability to enforce the rule of law, sustain the recent high levels of economic growth, keep a lid on corruption, and deliver social services and investment. Recent high-profile crimes highlight the feebleness of the state's law enforcement and judicial institutions. High international commodity prices and the softening U.S. economy undermine the

economic growth Guatemala needs to effect Colom's poverty reduction strategies. Colom is trying to strike a balance between right and left both domestically and internationally.

While the GOG might derive some benefit from a PetroCaribe deal with Venezuela, many opinion leaders, including members of the government, worry about the political costs such an agreement might entail, and take a dim view of it. The First Lady's controversial role in government has stoked dissent in a government and congressional bench that were not well disciplined in the first place. People are still giving Colom the benefit of the doubt, but there is a growing popular restlessness with his government's improvisation.

Derham